



## **BUSINESS TAX CREDITS & DEDUCTIONS FOR EMPLOYMENT OF PEOPLE WITH DISABILITIES**

**There are three tax incentives available to help employers cover accommodation costs for employees and/or customers with disabilities to make their business environment accessible for these individuals.**

### **ARCHITECTURAL/TRANSPORTATION**

#### **TAX DEDUCTION**

##### **IR CODE SECTION 190, BARRIER REMOVAL**

**What is it?** Businesses may take an annual deduction for expenses incurred to remove physical, structural, and transportation barriers for persons with disabilities.

**Who is eligible?** All businesses are eligible.

**What expenses are covered?** The architectural/transportation deduction is available each year to businesses with qualified expenses. It can be used for a variety of costs to make a facility or public transportation vehicle, owned or leased for use in the business, more accessible to and usable by persons with disabilities. Examples of deductions include:

- providing accessible parking spaces, ramps, and curb cuts;
- providing telephones, water fountains, and restrooms that are accessible to persons using wheelchairs;
- making walkways at least 48 inches wide; and/or
- providing accessible entrances to buildings, including stairs and floors.

**What expenses are NOT covered?** The deduction may not be used for expenses incurred for new construction, completion of renovation being done to a facility or public transportation vehicle, or for normal replacement of depreciable property.

**What is the amount of tax deduction?** The Internal Revenue Service (IRS) allows a deduction of up to \$15,000 per year for qualified architectural and transportation barrier removal expenses.

**How can this expenditure be deducted?** Businesses seeking to take a deduction for expenditures made for architectural and transportation modifications should follow the instructions found in IRS Publication 907 and in IRS Publication 535, entitled: *Business Expenses*. It is important to note that businesses may not take a deduction and a tax credit on the same expenditure.

#### **SMALL BUSINESS TAX CREDIT**

##### **IR CODE SECTION 44, DISABLED ACCESS CREDIT**

**What is it?** Small businesses may take an annual tax credit for making their businesses accessible to persons with disabilities. The total disabled access tax credits taken in 1996 on corporate income tax returns by all industries totaled \$11,865,000 (IRS 1996 Statistics of Income Report, 1999).

**Who is eligible?** Small businesses that in the previous year earned \$1 million or less in gross receipts or had 30 or fewer full-time employees are eligible for the Small Business Tax Credit.

**What expenses are covered?** The tax credit is available every year and can be used for a variety of costs such as:

- sign language interpreters for employees/customers who have hearing impairments;
- readers for employees/customers with visual impairments;
- the purchase of adaptive equipment or the modification of equipment;
- printed materials in alternate formats (e.g., braille, audio tape, large print);
- the removal of architectural barriers in buildings or vehicles; and
- other similar services (i.e., use of a job coach or a co-worker to provide support to an employee with a disability).

**What expenses are NOT covered?** The tax credit does not apply to the costs of new construction, and a building being modified must have been placed in service before November 6, 1990.

**What is the amount of the tax credit?** The credit is 50% of expenditures over \$250, but not to exceed \$10,250, for a maximum benefit of \$5,000.

**How can this credit be claimed?** Businesses can claim the **Disabled Access Credit on IRS Form 8826**.

### **EXAMPLE OF A SMALL BUSINESS DISABLED ACCESS TAX CREDIT USING CO-WORKER SUPPORT AS A SIMILAR SERVICE COST.**

Company X hired an individual with a disability; a co-worker was assigned to support the new employee as a workplace accommodation. The co-worker spent a total of one hour each day providing support. The number of co-worker hours spent with the employee totaled 200 hours during the calendar year. The co-worker's hourly wage was \$10.00 per hour. Therefore, the cost of providing the reasonable accommodation for the new employee with a disability was \$2,000. The amount by which \$2,000 exceeds \$250 is \$1,750. Fifty percent of \$1,750 is \$875. Company X may take a tax credit of \$875 on its next income tax return.

## **WORK OPPORTUNITY TAX CREDIT: (WOTC)**

**Is there new legislation?** In 2004 the WOTC was extended through December 31, 2005..

**What is the WOTC?** The Work Opportunity Tax Credit (WOTC), replaced the Targeted Jobs Tax Credit (TJTC) program, provides a tax credit for employers hiring individuals from certain targeted groups including: low-income, vocational rehabilitation referrals, former AFDC recipients, veterans, ex-felons, food stamp recipients, summer youth employees, and SSI recipients. The total amount of WOTC taken by all industries in 1996 on corporate income tax returns totaled \$6,896,000 (IRS 1996 Statistics of Income Report, published, 1999).

**How does it apply to persons with disabilities?** An employer who hires an employee receiving Supplemental Security Income (SSI) or who is a certified vocational rehabilitation (VR) participant may claim the WOTC after certification is received from the State Employment Security Agency (SESA).

**What is the amount?** An employer may take a tax credit of up to 40 percent of the first \$6,000 in first year wages per qualifying employee. The maximum per employee credit is \$2,400 in a given tax year. This credit applies only to employees who work at least 400 hours during the tax year. With respect to qualified summer youth employees, the maximum credit for each is \$1,200 (40 percent of the first \$3,000 of first year wages.)

### **What are the minimum employment requirements?**

A partial credit of 25% for certified employees who worked at least 120 hours, but less than 400 hours, may be claimed by the employer during a one-year period. No credit is available for employees who work less than 120 hours.

**How do I claim the credit?** Complete and submit IRS Form 8850, Pre-Screening Notice and Certification Request for the Work Opportunity and Welfare-to-Work Credits, to your local SESA. Do not submit this form to the IRS.

**How does it work?** The following steps should be followed.

- The employer determines likely eligibility by including the WOTC Pre-Screening Notice as part of the application process.
- On or before the day employment is offered, the Pre-Screening Notice must be signed by the employer and employee and mailed to the SESA within 21 days after the employee begins work.
- The employer documents eligibility (based on information received from the employee) and submits documentation to the SESA.
- SESA certifies which individuals are eligible for WOTC, and notifies the employer in writing for purposes of filing the tax credit.

### **FOR FURTHER INFORMATION CONTACT YOUR ACCOUNTANT**

#### **RESOURCES:**

1. Office of Associate Council, IRS, Passthrough & Special Industries, 1111 Constitution Avenue, NW, Washington, D.C. 20224, (202) 622-3110.
2. IRS web site for information: <http://www.irs.gov/prod/help/newmail/user.html>
3. For statistical information: (202) 874-0410 or write, Director, Statistics of Income division, CP:R:S, IRS, P.O. Box 2608, Washington, D.C. 20213-2608.
4. WOTC web site address is: [www.ttrc.doleta.gov/common/directories](http://www.ttrc.doleta.gov/common/directories) or call (202) 219-9092.



**GIVE VIRGINIA COMMONWEALTH UNIVERSITY, REHABILITATION RESEARCH & TRAINING CENTER ON WORKPLACE SUPPORTS A CALL:**  
**(804) 828-1851 VOICE; (804) 828-2494 TTY; OR (804) 828-2193 FAX**



**<http://www.worksupport.com>**

*Editors: Valerie Brooke, VCU-RRTC on Workplace Supports & Leslie Hortum, U.S. Chamber of Commerce*

*Contributors: Howard Green, Valerie Brooke, & Phil Rumrill  
Layout & Design: Jeanne Roberts*



VCU School of Education and Department of Physical Medicine and Rehabilitation is an equal opportunity/affirmative action institution and does not discriminate on the basis of race, gender, age, religion, ethnic origin, or disability. If special accommodations are needed, please contact Valerie Brooke at VOICE (804) 828-1851 or TTY (804) 828-2494. Funding for this product is provided grant #H133B980036 with the National Institute on Disability Rehabilitation Research with the U.S. Department of Education, Washington, D.C.

## IOWA ASSISTIVE DEVICE TAX CREDIT

**What is it?** Iowa small businesses can reduce their taxes by buying or renting products or equipment, or by making physical changes to the workplace to help employees with disabilities get or keep a job.

**Who is eligible?** To qualify a business must be located in Iowa and employ no more than 14 employees OR \$3 million or less in annual gross receipts.

**What expenses are covered?** Expenses to buy, rent or modify assistive devices or to make workplace modifications are covered. An assistive device is any item, piece of equipment or product system that is used to increase, maintain or improve the functional capacities of an individual with a disability in the workplace or on the job. Workplace modifications are physical alterations to the work environment.

### Examples of Assistive Devices

- Computer Equipment
- Vision-related Devices
- Hearing-related Devices
- Work Equipment or Office Furniture
- Communication Device

### Examples of Workplace Modification

- Ramps
- Parking Area
- Entryway
- Lighting
- Doors

**What is the amount of tax deduction?** The credit applies to expenditures made on or after January 1, 2000 and equals one-half of the first \$5,000 in qualifying expenses each tax year, with a \$2,500 annual cap. Excess credits can be refunded or carried over to the next tax year. The State of Iowa has set a Fiscal year cap of \$500,000 and claims will be paid according to date of filing.

**How can this expenditure be deducted?** The business must submit an application and supporting documentation to the Division of Business Development, Department of Economic. IDED will review the application and issue a Certificate of Entitlement. Certificates will be numbered and have information about the taxpayer, devices, modifications, credit amounts and tax year. The business then files the Certificate with the Iowa personal or business tax return, claiming the item on Line 66.

## IOWA SMALL BUSINESS INCOME TAX DEDUCTION

**What is it?** Iowa employers that meet the criteria below are allowed an additional deduction on their Iowa Income Tax returns. This deduction is in addition to the Work Opportunity Tax Credit.

**Who is eligible?** Only those employers that meet the "small business" definition can claim the deduction for employing persons with disabilities. A small business is one organized for profit or non-profit, including but not limited to a corporation, a sole proprietorship, partnership, joint venture, association, or cooperative. This includes farm operations. It does not include the practice of a profession. A small business cannot have more than 20 full-time equivalent employees and more than \$3 million of annual gross revenues.

The qualifying employee must be a new hire. The qualifying person may hold more than one job; each employer may take the deduction. The qualifying employee does not have to be employed full time. The person with a disability must pass the business' probationary period. If there is no written policy, the probationary period is 6 months for the purpose of this deduction.

A person who has qualified for the Work Opportunity Tax Credit as a person with a disability undergoing vocational rehabilitation automatically qualifies for this deduction. A person does not have to be certified by the State Division of Vocational Rehabilitation as having a disability. However, if such certification exists, that person automatically qualifies for the deduction.

**What is the amount of tax deduction?** This deduction is 65% of the wages paid in the first 12 months of employment; the deduction ceiling is \$20,000 per employee. If 65% of an employee's wages does not meet the \$20,000 maximum in a single tax year, the balance may be claimed the following year to the extent that the employee has worked fewer than 12 months.

**What expenses are NOT covered?** This tax deduction is not available to a current employee who becomes disabled. The person with a disability must not be hired to replace another employee who was terminated within the previous 12 months unless that employee was terminated for misconduct in connection with employment.

**How can this expenditure be deducted?** The employer claims the deduction on the Iowa 1040 individual income tax return under an "other adjustments" category or on the Iowa Corporation income tax return under an "other reductions" category. An employer claiming the additional deduction must submit a separate sheet with the tax return with the following information: the employee's name, address, Social Security Number, date of hiring and total wages paid.

## VOCATIONAL REHABILITATION FEATURE/BENEFIT PLAN FOR EMPLOYERS

### ***Accessibility Analysis & options***

- Disability awareness/sensitivity training.
- Training/Consultation on the ADA legislation
- Job site analysis/restructuring
- Options for reasonable accommodations
- Consultation on Assistive Technology

### ***Staffing***

- Pre-screened pool of qualified applicants
- Prospective employee testing and training

### ***Financial Incentives***

- On-the-Job-Training

- Tax credits

### ***Job Coaching***

### ***Post-employment follow-up***

VR Counselors provide FREE consultation to employers and answer questions about the ADA legislation and accommodations for individual with disabilities;

VR Counselors provide FREE consultation to employers and answer questions about assistive technology/available resources.

Trained, qualified VR counselors work very closely with clients to prepare them for employment. VR counselors screen applicants and ensure a good job match before referring them to the employer. This service is FREE.

VR counselors can reimburse a portion of the client's wages if the employer decides to hire them and the client needs more coaching. By paying a portion of the client's wages, this allows the employer to financially be able to spend more time with training the individual. This service is FREE to the employer.

They receive up to \$2400 in Work Opportunity Tax Credit by hiring a person with a disability who is a VR client. Also available are Disabled Access Tax Credits to Small Employers.

VR counselors can provide or arrange any required job coaching for individuals with disabilities to ensure that the proper vocational supports are in place for the person to be successful. The job coach will assist in training and be a liaison between the employed client and employer should problems arise. This service is FREE to employers.

VR counselors can provide long-term follow-up based upon job performance needs. This service is FREE to the employer.



Iowa  
**Vocational  
Rehabilitation**  
Services

*Finding solutions. Generating success.*

## **Iowa Vocational Rehabilitation Services**

**Area Offices Located in Burlington, Cedar Rapids,  
Council Bluffs, Davenport, Des Moines, Dubuque,  
Fort Dodge, Iowa City, Mason City, Ottumwa, Sioux  
City, and Waterloo**